

MINUTE ITEM

17. REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION AND RICHFIELD OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY, P.R.C. 308.1 AND P.R.C. 309.1 - W.O. 3706.

After consideration of Calendar Item 44 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO THE SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION AND RICHFIELD OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER SUBJECT LEASES TO DECEMBER 31, 1961. THIS GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT, DURING THE PERIOD OF DEFERMENT, THE LESSEES WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON THE LEASE;
2. QUITCLAIM THE ENTIRE LEASE AREA;
3. PRESENT NEW ADEQUATE BASES, NOT CONSIDERED HERETOFORE, FOR CONSIDERATION AS TO ANY FURTHER EXTENSION OF THE DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE RESPECTIVE LEASES.

Attachment

Calendar Item 44 (2 pages)

CALENDAR ITEM

14.

REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION AND RICHFIELD OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY, P.R.C. 308.1 AND P.R.C. 309.1 - W.O. 3706.

On October 5, 1959 (Minute Item 20, page 5270), the Commission authorized a deferment to December 31, 1960, of drilling and operating requirements under Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1. The joint lessees have requested a further deferment of drilling and operating requirements under these leases to December 31, 1961.

The subject leases were amended, in accordance with the provisions of Section 6873 of the Public Resources Code, as approved by the Commission on January 13, 1958 (Minute Item 11, page 3747, and Minute Item 12, page 3749), in order to permit the lessee to take advantage of the more flexible development and operating conditions specified. As provided for in the lease, the operator, since December 11, 1958, has drilled one test well from mobile drilling equipment on Lease P.R.C. 309.1, and a series of additional test wells on the leased lands has been planned. However, due to the many unusual and complicated problems which have developed while drilling in water in excess of 200 feet in depth, the plan scheduled has not been met. On August 6, 1960, Richfield Oil Corporation placed on production the world's first oil well completed with the production facilities (wellhead and flow lines) located on the ocean floor. This installation is being extensively tested to assure that this equipment could safely be used in the California submerged lands; therefore, additional time is required to complete these tests and to fabricate new equipment prior to commencing further drilling operations on these leases.

The lessees have heretofore drilled 10 exploratory wells in the tide and submerged lands covered by the two leases. Some of these wells were drilled directionally from uplands and the balance from mobile marine drilling equipment under a geological exploration permit. Approximately \$5,000,000 has been expended in attempts to develop commercial production on the State lands covered by the two leases.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GRANT TO THE SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION AND RICHFIELD OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE SUBJECT LEASES TO DECEMBER 31, 1961. THIS GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT, DURING THE PERIOD OF DEFERMENT, THE LESSEES WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON THE LEASE;
2. QUITCLAIM THE ENTIRE LEASE AREA;
3. PRESENT NEW ADEQUATE BASES, NOT CONSIDERED HERETOFORE, FOR CONSIDERATION

CALENDAR ITEM 44. (CONTD.)

AS TO ANY FURTHER EXTENSION OF THE DEFERMENT OF DRILLING AND OPERATING
REQUIREMENTS UNDER THE RESPECTIVE LEASES.